

**SURREBUTTAL TESTIMONY OF**  
**DANIEL P. HUNNELL II**  
**ON BEHALF OF**  
**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**  
**DOCKET NO. 2021-324-WS**

1   **Q.     PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2   A.           My name is Daniel P. Hunnell II. My business address is 1401 Main Street, Suite  
3               900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of  
4               Regulatory Staff (“ORS”) in the Water Operations Department as a Senior Regulatory  
5               Analyst.

6   **Q.     DID YOU FILE DIRECT TESTIMONY AND TWO (2) EXHIBITS RELATED TO**  
7   **THIS PROCEEDING?**

8   A.           Yes, I filed direct testimony and two (2) exhibits with the Public Service  
9               Commission of South Carolina (“Commission”) on February 24, 2022.

10  **Q.     WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11  A.           The purpose of my Surrebuttal Testimony is to respond to Kiawah Island Utility,  
12               Inc. (“KIU” or “Company”) Witness Dennis’s recommendation to adjust ORS’s proposed  
13               normalization adjustment to fire hydrant service revenues in the amount of \$10,392 which  
14               is shown in ORS Witness Herpel’s Exhibit DMH-4 as Adjustment No. 1C.

15  **Q.     PLEASE EXPLAIN WITNESS DENNIS’S RECOMMENDATION.**

16  A.           KIU Witness Dennis proposes that ORS’s calculation to normalize fire hydrant  
17               service revenue be updated to exclude the 2018 revenue in the amount of \$66,586  
18               associated with fire hydrant service received via the St. John’s Fire District (“Fire

District”). Witness Dennis’s foundation for the exclusion of this revenue is that KIU agreed in the Stipulation filed in Docket No. 2018-257-WS, which was approved in Order No. 2019-288, to cease charging fire hydrant service fees to the Fire District.

**Q. PLEASE EXPLAIN THE NATURE OF FIRE HYDRANT SERVICE REVENUE.**

A. Fire hydrant service is a revenue class that is related to the use of fire hydrants to obtain water service for construction and other purposes. Thus, the amount of the revenue attributed to the customer class fluctuates during any given year. Additionally, given the nature of the water service the revenue attributed to the customer class will be collected from an ever-changing customer class and the amount of revenue received by KIU will depend on needs for water service via a fire hydrant on Kiawah Island regardless of the specific customers included in the class.

**Q. DURING THE ORS SITE VISIT TO KIAWAH ISLAND ON FEBRUARY 4, 2022, DID YOU OBSERVE ACTIVE HOMEBUILDING CONSTRUCTION?**

A. Yes. During the site visit performed by ORS, I observed active homebuilding construction throughout the service territory. The active construction may require water service provided by KIU through the fire hydrant service.

**Q. WAS THE \$66,586 OF FIRE HYDRANT SERVICE REVENUES CHARGED TO THE FIRE DISTRICT IN 2018 CHARGED IN ACCORDANCE WITH THE TERMS OF THE COMMISSION APPROVED TARIFF?**

A. Yes. The \$66,586 of fire hydrant service revenue that was charged to the Fire District in 2018 was billed in accordance with Rate Schedule No. 5 of KIU’s tariff approved by the Commission in Order No. 2017-227(A). In addition, KIU received payment from the Fire District and KIU recorded the receipt of payments as revenue to the

Company's general ledger account number 440080. After the Company ceased billing the Fire District, the Company continued to collect the fire hydrant service revenue related to the Fire District via all of KIU's water customers in accordance with the Stipulation in Docket No. 2018-257-WS, Item No. 10 which states " KIU will cease charging fees for fire hydrants to the St. John's Fire Department upon issuance of a final order in this case and will recover the cost of maintaining the fire hydrants, which the parties agree is reasonable, through rates."<sup>1</sup>

**Q. SINCE KIU ENDED THE PRACTICE OF BILLING THE FIRE HYDRANT SERVICE TO THE FIRE DISTRICT IN 2019, WHAT HAS BEEN THE IMPACT TO THE REVENUE RECORDED TO FIRE HYDRANT SERVICE?**

A. Since 2019, the amount of revenue associated with fire hydrant service has increased. Between 2019 and 2020, fire hydrant service revenues increased from \$20,533 in 2019 to \$39,551 in 2020, which is almost a 92.6% increase in the customer class revenue. Between 2020 and 2021, fire hydrant service revenues increased from \$39,551 in 2020 to \$67,510 in 2021, which is an increase of approximately 70.7%.

**Q. DO YOU AGREE WITH WITNESS DENNIS'S RECOMMENDATION REGARDING FIRE HYDRANT SERVICE REVENUES?**

A. No. The purpose of ORS's adjustment to normalize fire hydrant service revenue in the amount of \$10,392 was to better align fire hydrant service revenues with the average fire hydrant service revenues KIU experienced over the past four (4) years. The four (4) years represent the time period that has elapsed since the Company's 2018 rate filing, which was based upon a test year ending December 31, 2017. Witness Dennis's

---

<sup>1</sup> Docket No. 2018-257-WS Stipulation Page 3 Item No. 10

1 recommendation to exclude revenue that was charged to the Fire District from the fire  
2 hydrant service normalizing adjustment, because the Fire District (one customer in a  
3 customer class) is no longer a customer, lacks a factual supporting basis and violates the  
4 matching principle.

5 The reasons offered by the Company for reduction of the revenue attributed to fire  
6 hydrant service does not consider the fact that other customers are provided water service  
7 via a fire hydrant by KIU. The Company requests a reduction to KIU's test year fire  
8 hydrant service revenue of (\$6,255) from \$39,551 to \$33,296 to reflect the fact that one (1)  
9 customer is no longer served. However, based on the KIU's revenue calculations, KIU's  
10 fire hydrant service revenues have increase since 2019 by approximately 228.8%. The  
11 Company's recommended adjustment to fire hydrant service revenue does not take this  
12 increase into account.

13 **Q. WHAT IS ORS'S RECOMMENDATION RELATED TO FIRE HYDRANT**  
14 **RENTAL SERVICE REVENUE?**

15 A. ORS recommends adoption of ORS's normalizing adjustment in the amount of  
16 \$10,392, which is shown in ORS Witness Herpel's Exhibit DMH-4 as Adjustment No. 1C.

17 **Q. WILL YOU UPDATE YOUR SURREBUTTAL TESTIMONY BASED ON**  
18 **INFORMATION THAT BECOMES AVAILABLE?**

19 A. Yes. ORS reserves the right to revise its recommendations via supplemental  
20 testimony should new information not previously provided by the Company, or other  
21 sources become available.

22 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

23 A. Yes, it does.